

CMHDA All Directors' Meeting March 13, 2008

MHSA Reversion and Flow of Funds
California Department of Mental Health



MHSA Reversion and Flow of Funds

- Reminders from Last Boot Camp
- MHSA Reversion Policy
- Reversion versus Use of Funds
- Reversion Example
- Flow of Funds
- Planning Estimates
- Updates



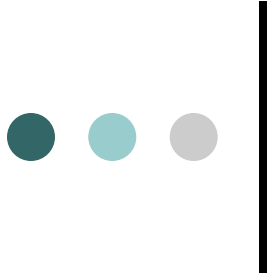
Reminders from Last Boot Camp-Local Prudent Reserve

- Prudent reserve is maintained at local level in a clearly identified account
- Level is 50% of CSS approved funding level and should be fully funded by July 1, 2010—counties develop plan for funding
 - Unexpended and unapproved funding can be used to fund the prudent reserve—requires approved update to plan
 - Counties are not expected to reduce services below FY07-08 levels in order to fund the prudent reserve
 - Counties that cannot reach 50% level by July 1, 2010 should use future increases in planning estimates before expanding services



Reminders from Last Boot Camp-Program Sustainability

- County may submit a plan or plan update that exceeds fiscal year planning estimate as long as plan can be sustained
- DMH will consider interest, current and projected costs, caseload growth, anticipated increases in other revenues, whether the expenditure is non-recurring, and the impact of structural reforms



Reminders from Last Boot Camp-FY05/06 One-Time

- DMH will no longer approve and fund the use of CSS funds for activities funded through other components
 - Funds approved as FY05-06 one-time must be spent by June 30, 2008
 - FY05-06 CSS funds approved for one-time activities may be used on approved plan services
 - Beginning in FY08-09, counties have ability to use up to 20% of CSS funding for Capital Facilities/ Technological Needs, Workforce Education and Training, and the local prudent reserve
 - Can also used funding dedicated to the specific component



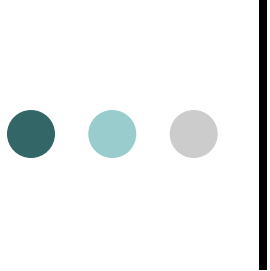
MHSA Reversion Policy

- W&I Code Section 5892(h)
- Funds Allocated to a County and Time Period for Reversion
- Authorized Purpose
- Funds Spent
- Options for Unapproved and Unspent FY05/06 Funds
- Reverted Funds



W&I Code Section 5892(h)

- *“Other than funds placed in a reserve in accordance with an approved plan, any funds allocated to a county which have not been spent for their authorized purpose within three years shall revert to the state to be deposited into the Fund and available for other counties in future years, provided however, that funds for capital facilities, technological needs or education and training may be retained for up to ten years before reverting to the Fund.”*



Funds Allocated to a County and Time Period

- Funds are considered allocated to a County when the funds are made available to the County
 - Planning Estimates are published and
 - Proposed Guidelines are published and
 - County can access the funds
- Time period used to calculate reversion will begin concurrent with start of the State Fiscal Year
 - If Planning Estimates and Guidelines are published prior to fiscal year, time period begins at start of next fiscal year
 - If Planning Estimates and Guidelines are published within first three months of fiscal year, time period begins that fiscal year
 - If Planning Estimates and Guidelines are published after the first three months of the fiscal year, time period begins next fiscal year



Reversion Period for Previously Released Funds

Component/Source Document	Funding From Fiscal Year	Planning Estimates and Proposed Guidelines Released	Reversion Period	
			Start	End
Community Program Planning DMH Letter 05-01	FY04/05	1/18/2005	FY05/06	FY07/08
Community Services and Supports DMH Letters 05-02 and 05-05	FY05/06	8/1/2005	FY05/06	6/30/2008
DMH Letter 06-03	FY06/07	2/3/2006	FY06/07	6/30/2009
DMH Letter 06-09	FY07/08	11/29/2006	FY07/08	6/30/2010
DMH Info Notice 07-21	FY07/08 Augmentation	10/18/2007	FY08/09	6/30/2011
MHSA Housing Program-DMH Letter 07-06*	FY07/08	5/14/2007	FY08/09	6/30/2011
Workforce Education and Training DMH Info Notices 07-06 and 07-14	FY 06/07	7/24/2007	FY07/08	6/30/2017
Prevention and Early Intervention DMH Info Notices 07-17 and 07-19	FY 07/08	9/25/2007	FY07/08	6/30/2010
DMH Info Notices 07-17 and 07-19	FY 08/09	9/25/2007	FY08/09	6/30/2011

* Application was not released until 8/6/2007



Authorized Purpose

- Authorized purpose is represented in the MHSA Agreement on Page 1 of Exhibit A (Planning Estimates)
- Initial MHSA Agreement reflects components
- Next MHSA Agreements will reflect components and county-specific requests and DMH approvals
 - County has discretion to dedicate CSS funds to WET, Cap Facilities/Technological Needs and Prudent Reserve (within 20% limit) beginning in FY08/09



Authorized Purpose (continued)

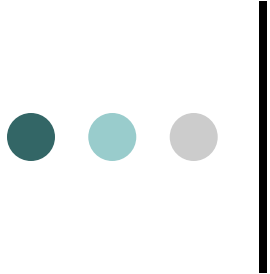
	SFY 2005-06	SFY 2006-07	SFY 2007-08	SFY 2008-09	Total
Planning Estimates					
Community Services & Support					
Services*	\$1,420,000	\$1,430,000	\$2,160,000	\$2,100,000	\$7,110,000
MHSA Housing Program			\$2,300,000		\$2,300,000
Workforce Education & Training (WET)					
Services		\$370,000		\$370,000	\$740,000
Discretionary CSS*					
Total WET		\$370,000		\$370,000	\$740,000
Capital Facilities & Technological Needs (Cap/Tech)					
Services			\$1,900,000		\$1,900,000
Discretionary CSS*				\$300,000	\$300,000
Total Cap/Tech			\$1,900,000	\$300,000	\$2,200,000
Prevention and Early Intervention (PEI)					
Services			\$450,000	\$800,000	\$1,250,000
Assigned Funding				\$900,000	\$900,000
Innovation				\$150,000	\$150,000
Total Planning Estimate	\$1,420,000	\$2,170,000	\$8,710,000	\$5,290,000	\$17,590,000

* As requested by County and approved by DMH.



Funds Spent

- DMH is not redefining spent or expenditure for the purposes of the MHSA
 - Use accrual basis of accounting
- County Auditor/Controller's are required to follow Generally Accepted Accounting Principles (GAAP) and Government Accounting Standard Board (GASB) Statements when reporting financial information
 - Counties should follow the same rules when determining whether they've incurred an expenditure



Options for Unapproved and Unspent FY05/06 Funds

- CSS Local Prudent Reserve
- Augmentation to MHSA Housing Program
 - Guidelines Pending
- Both require Plan update, DMH approval and executed MHSA Agreement
 - Both require 30 day stakeholder input process
- Need to submit Prudent Reserve and MHSA Housing Augmentation request(s) to DMH no later than May 31, 2008



Reversion vs. Use of Funds

- Reversion and use of funds are independent
- Reversion relates to overall expenditures for an authorized purpose
- DMH conducts two comparisons for reversion
 - All funds made available through a Planning Estimate are approved within reversion period
 - All funds approved are expended within reversion period



Reversion vs. Use of Funds

(continued)

- Use of funds relates to the approved use of funds in accordance with an approved Plan or Plan update
 - When use of funds ends, funds do not necessarily revert
 - Examples are funds approved for one-time housing and the operating reserve
- County still has ability to use funds for approved purpose provided the activity is not funded from another component



Reverted Funds

- Funds that revert are considered revenue to the State MHS Fund when the reverted funds are known
- Reverted funds are treated as any new revenues



Reversion Example

- County has \$1.5 million FY05/06 CSS Planning Estimate
- County was approved for \$1 million of FY05/06 CSS
 - \$100,000 for IT
 - \$400,000 for start-up
 - \$500,000 for services
- DMH distributed \$700,000 in FY05/06, \$200,000 in FY06/07 and \$100,000 in FY07/08
- County expended \$0 in FY05/06, \$300,000 in FY06/07 on start-up, and \$700,000 in FY07/08 (estimated) on start-up and services.
- \$500,000 unapproved FY05/06 CSS Planning Estimate would revert.



Flow of Funds

- In accordance with Welfare & Institutions Code Section 5892, deposits into the State MHS Fund are dedicated to specific components.
- Five sources of deposits
 - 1.76% of monthly personal income tax payments
 - Annual Adjustment based on actual tax returns
 - Settlement between monthly PITs and actual tax returns
 - Interest earnings (posted quarterly)
 - Excess State Administration (unauthorized and unexpended)
 - Reverted funds



Flow of Funds (continued)

- Prior to making the distribution to components, up to 5% is made available for State Administration
 - DMH sets aside full 5% until close of FY in case Legislature authorizes additional use of funds during FY
 - Difference between authorized amount and 5% is considered new deposits in next fiscal year
 - Difference between expenditures and authorized amount is available three years after appropriation
- Balance of funds (95%) distributed to each component based on the fiscal year in which the deposits are posted on a cash basis



Planning Estimates

- Government Partners (GP) Fiscal Subcommittee recommends the Global/Aggregate Planning Estimates for local services to respective organizations
 - Meet following the close of the fiscal year and analyze amounts deposited, distributed and committed for each component during the fiscal year
- Establish Global/Aggregate Planning Estimates for subsequent fiscal year



Planning Estimates Roles and Responsibilities

		CSS	Capital/Tech		Ed & Training		PEI	Innovation
			First 3 years	Integrated Plan	First 3 years	Integrated Plan		
Criteria	Input (by those not deciding)	OAC	OAC	N/A	CMHPC, OAC	N/A		
	Decision	CMHDA, DMH	CMHDA, DMH	County	CMHDA, DMH	County	OAC & CMHDA with DMH agreement	OAC & CMHDA with DMH agreement
Global/ Aggregate Funding Level for Local Funding and State Administered Projects	Input (by those not deciding)	OAC	OAC	N/A	CMHPC, OAC	N/A		
	Decision	CMHDA, DMH	CMHDA, DMH	County	CMHDA, DMH	County	OAC & CMHDA with DMH agreement	OAC & CMHDA with DMH agreement
Local Planning Estimates	Principles	CMHDA	CMHDA	N/A	CMHDA	N/A	CMHDA	CMHDA
	Funding Level	DMH	DMH	County	DMH	Counties	DMH	DMH



Planning Estimates Criteria

- Planning Estimates are not based on estimated revenues
 - Future year increases are based on actual revenues received in prior years
- Distributions are on a cash basis (i.e., sufficient revenues are in the State MHS Fund at the start of the fiscal year for distributions for the entire fiscal year)
- Long term sustainability is considered based on recent economic data



CSS Planning Estimate Timeline

	July			Oct			Jan			April			July
Deposits into Fund													
Cash Transfers (monthly)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Annual Adjustment (annually)	\$												\$
Interest (quarterly)	\$			\$			\$			\$			\$
Excess Admin (annually)	\$												\$
Reverted Funds (twice a year)	\$									\$			\$

Planning Estimates

GP Fiscal Sub-committee meets
and develops recommendations



Recommendations Adopted/Revised/
Rejected by respective organizations



Planning Estimates and Guidelines
Published



Funds Available

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Updates

- MHSA Agreements and Distributions
- Draft CSS FY08/09 Guidelines
- CSS System Development Housing
- Capital Facilities/Technological Needs Guidelines
- Innovation Guidelines
- Integrated Plan and Annual Update



MHSA Agreements and Distributions

- Signed MHSA Agreements are being unilaterally modified to release remaining 25% and additional component approvals
 - Counties that submitted required reports
- Current MHSA Agreements to be extended through FY08/09



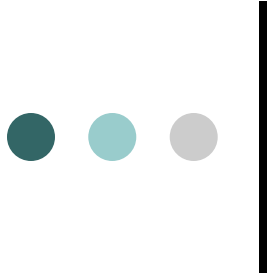
Draft CSS FY08/09 Guidelines

- Each County is required to submit an update to their FY08/09 CSS Plan
- New budget exhibits based on actual experience
- Incorporates 20% discretionary funding
- Incorporates request to dedicate funds to local prudent reserve
- Incorporates unspent funds identified through FY06/07 MHSA Revenue and Expenditure Report
- Incorporates 10% operating reserve



CSS System Development Housing

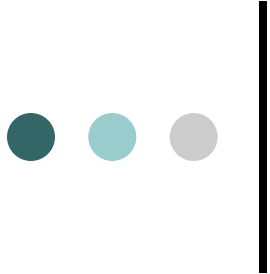
- Housing expenditures are allowable under General System Development (GSD) when they expand housing resources to support and improve the County's mental health service delivery system.
- GSD housing expenditures are project-based housing resources and include a range of housing options



CSS System Development

Housing (continued)

- Allowable GSD expenditures include:
 - Acquisition, construction, and/or renovation of housing that is government-owned and dedicated for the intended use for a minimum of 20 years
 - Master leasing of housing, including costs of repairs needed to restore a unit damaged by a MHSA tenant upon vacating
 - Project-based operating subsidies for housing units acquired with GSD funds
 - Housing trust fund only when an irrevocable transfer of GSD funds is made to a local government entity for a specific housing project, e.g., County Housing Authority holds and disburses funds to purchase land and construct new housing for a specified housing development GSD housing expenditures are project-based housing resources and include a range of housing options



CSS System Development

Housing (continued)

- Non-allowable GSD expenditures include:
 - Renovation of privately owned housing
 - Construction or acquisition of housing that will be privately owned
 - Housing trust funds, other than as described above
 - Construction or acquisition of housing for permanent supportive housing outside of the MHSA Housing Program service category
 - Acquisition, construction, and renovation of a treatment facility
 - Predevelopment costs for a development in the MHSA Housing Program
 - Individual-based housing expenses, e.g., rental subsidies, motel vouchers (these expenditures are allowable under the Full Service Partnership (FSP) and Outreach and Engagement (OE) funding categories)



CSS System Development

Housing (continued)

- All proposed GSD housing expenditures must support the county's approved Community Services and Supports component of the Three-Year Program and Expenditure Plan
- Plan updates are needed to add or modify programs, to request approval of housing acquisition, construction and/or renovation, and to request approval of additional funding available within the County's planning estimate
- Approved updates will result in a modification to the County's MHSA Agreement to reflect the change to the County's approved Three-Year Program and Expenditure Plan



Additional Updates

- Capital Facilities/Technological Needs Guidelines
- Innovation Guidelines
- Integrated Plan and Annual Update